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FISCAL IMPACT REPORT

SPONSOR: Ponce DATE TYPED: 2/11/03 HB 306

SHORT TITLE: Investments by County and Municipal Treasurers SB _____

ANALYST: Padilla

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|---------------------|-----------------------------|------|----------------------|-------------------|
| FY03 | FY04 | FY03 | FY04 | | |
| | \$.01 See Narrative | | | Recurring | Local Governments |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 41 and HB 118, "Local Government Investments"
 Relates to HB 93 and SB 40, "Local Government Permanent Funds"

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Department of Finance and Administration

SUMMARY

Synopsis of Bill

House Bill 306 amends NMSA 1978, § 6-10-10, Section 1(F)(2) to allow county and municipal treasurers to invest in securities of agencies sponsored by the federal government. Existing law restricts such investments to securities of agencies guaranteed by the federal government.

Significant Issues

Allowing counties and municipalities to invest in securities of agencies *sponsored* by the federal government versus *guaranteed* by the federal government will significantly increase their investment options. For example, this bill would allow investments in Federal Home Loan Bank bonds and Freddie Mac and Fannie Mae securities. These securities typically have better yields than securities guaranteed by the federal government.

FISCAL IMPLICATIONS

This bill may have a positive impact on local government revenues if local entities shift their portfolios to higher-yielding investments.

DUPLICATION AND RELATIONSHIP

This bill duplicates HB 118 and SB 41. It relates to HB 93 and SB 40, which relate to creation and investment of local government permanent funds.

OTHER SUBSTANTIVE ISSUES

Although the U.S. Government does not guarantee the new investment options allowed by this bill, they are all AA or AAA rated securities. Although these securities are quite sound, local governments will be accepting slightly more credit risk. However, they will also be gaining the flexibility to obtain higher investment yields.

LP/yr